

# Venus Pipes & Tubes Ltd.

## Pre IPO Note

- Venus Pipes & Tubes is a Gujarat-based manufacturer and exporter of welded and seamless stainless steel (SS) pipes and tubes. The company started a manufacturing plant in Dhaneti (Kutch), Gujarat in 2015.
- Venus plans to expand its capacity from 10.8ktpa to 24ktpa and set up capacity of 9.6ktpa to manufacture mother hollow pipes, a backward integration for seamless pipes. Company expects capex plan completion by December 2022.
- The company's IPO comprises a fresh issue of shares, and majority of the IPO proceeds will be utilised for capex spending (expected INR130cr). As per media reports, it is looking to raise INR175-200cr.

### A manufacturer of SS pipes and tubes with strong growth plans

Venus manufactures SS pipes and tubes at its Kutch facility located 55km from Kandla Port and 75km from Mundra Port. Of the 10.8ktpa capacity, 3.6kt is dedicated to seamless SS pipes and 7.2kt for welded SS pipes. The company plans to expand its seamless capacity to 9.6ktpa and welded capacity to 14.4ktpa, in addition to 9.6ktpa of new capacity towards backward integration to manufacture mother hollow pipes used as raw material for the seamless division.

### New product offerings and backward integration to boost margins

New product offerings and backward integration will help expand margins as Venus will offer pipes of various diameters and confirm better quality standards in seamless due to in-house manufacturing of mother hollow pipes. This will also help meet the quality requirements of customers as per BIS norms. SS seamless pipe margins have the potential to reach 20% from the current 14%, while SS welded margins can increase to 17% from 13%, in our view.

### A key beneficiary of capex in chemical and engineering sector

SS pipes and tubes are used across the chemical, engineering, pharmaceutical, and food processing industries, among others. Venus derives around 33% of its sales from Chemicals (19%) and Engineering (14%). Around 10% of the capex for a chemical plant is in the form of SS pipes and tubes. Major chemical companies have capex plans of around INR18,000cr over the medium term. Venus is a certified supplier to most chemical companies in Gujarat, and its top 10 customers account for around 35–40% of its sales.

### China export rebate cessation and BIS norms provide industry tailwinds

China is the largest exporter of SS tubes and pipes to India and accounts for nearly half of India's total imports. Effective May 2021, the Chinese government cancelled export rebates (13%) on seamless pipes and tubes and other steel products to encourage Chinese steel manufacturers to focus on the domestic market. This move is expected to benefit steel pipe and tube manufacturers in India as Chinese steel becomes costlier. Moreover, only BIS-certified products can now be used for all projects in the country, which may lead to import substitution.

Year to March (INR Cr)	FY19	FY20	FY21
Revenue	119	178	309
EBITDA	8	12	35
EBITDA Margin (%)	7.0	6.5	11.2
Net Profit	4	4	24
RoACE (%)	17%	19%	49%
RoAE (%)	32%	29%	84%

Source: Company Data

**Himanshu Yadav**  
Research Analyst  
himanshu.yadav@edelweissfin.com

Date: April 22, 2022

### IPO Issue

Fresh Issue: 5.07 m

Pre-Issue Outstanding Shares: 15.2 m

## Table of Contents

Business Structure .....	3
Industry Charts .....	4
Company Charts .....	5
I. Stainless Steel Pipe and Tube Industry .....	6
II. Addressable market and sectoral tailwinds for Venus .....	7
III. Company Overview .....	9
IV. Financial Analysis .....	12
V. Promoter and Management Profile .....	15
VI. Appendix .....	17
Financials .....	19

# Venus Pipes & Tubes Ltd.

## Pre IPO Note

### Business Structure

Venus Pipes & Tubes	
<p>Venus manufactures and exports stainless steel (SS) pipes and tubes with total production capacity of 10.8ktpa and a manufacturing facility in Dhaneti (Kutch), Gujarat. It broadly deals in the B2B supply of two types of SS pipes and tubes - seamless and welded.</p>	
Seamless (~33% of capacity)	Welded (~67% of capacity)
<ul style="list-style-type: none"> <li><b>Capacity:</b> As of FY21, the total capacity for seamless pipes/tubes stood at 3.6ktpa. Currently, the company manufactures seamless pipes/tubes of 6–114.3 mm in size.</li> <li><b>Volumes:</b> The company produced 3.3kt in FY21, operating at a utilisation rate of 92%.</li> <li><b>Expansion plan:</b> The company aims to increase capacity from 3.6ktpa to 9.6ktpa and produce high-diameter pipes of up to 168.3mm. This includes the installation of a pilger plant.</li> <li><b>Raw material:</b> SS mother hollow pipes are mainly imported from China, Malaysia, Indonesia, etc. The company plans to backward integrate the manufacturing of mother hollow pipes.</li> </ul>	<ul style="list-style-type: none"> <li><b>Capacity:</b> As of FY21, the total capacity for welded pipes/tubes stood at 7.2ktpa. The company currently manufactures welded pipes/tubes of 6–219.3 mm in size.</li> <li><b>Volumes:</b> The company produced 6.6kt in FY21, operating at a utilisation rate of 92%.</li> <li><b>Expansion plan:</b> The company aims to increase capacity from 7.2ktpa to 14.4ktpa, in addition to 9.6ktpa of mother hollow pipes (backward integration) and produce diameters of up to 1,219.2mm. This includes the installation of an LSAW (A358) plant.</li> <li><b>Raw material:</b> SS coils/strips are imported or domestically sourced.</li> </ul>

Total pipe/tube capacity of Venus increased from 6.9ktpa in FY19 to 10.8ktpa in FY21, with seamless increasing by 71% and welded by 50%.

Both the divisions are operating at near-full utilisation. Given the demand trend, the management has embarked on capacity expansion, more than doubling in FY23/24E.

Proceeds from the fresh issue will be mainly used to finance capital expenditure of INR105cr and working capital needs of INR30cr.

INR cr	FY19	FY20	FY21
Prod. Vol., kt	4.2	7.7	9.9
Revenue	119	178	309
EBITDA	8	12	35
PAT	4	4	24

INR cr	FY19	FY20	FY21
ROCE	17	19	49
CFO	-7	2	11
Debt	29	43	38

Issue (shares)	
Fresh Issue	5.07m

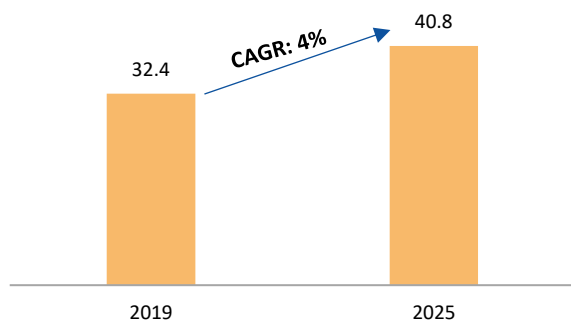
Source: Edelweiss Wealth Research

# Venus Pipes & Tubes Ltd.

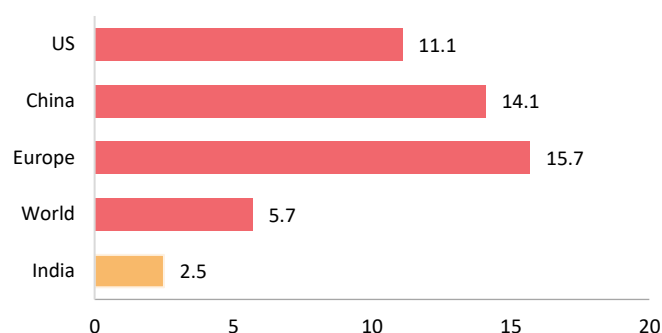
## Pre IPO Note

### Industry Charts

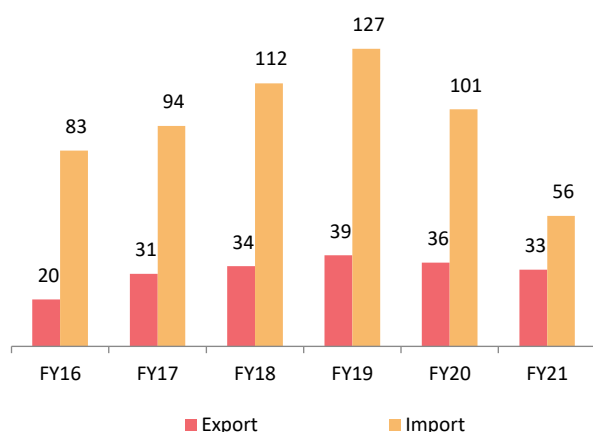
**Exhibit 1: Global SS pipes & tube market to register CAGR of 4% until 2025 (USD bn)**



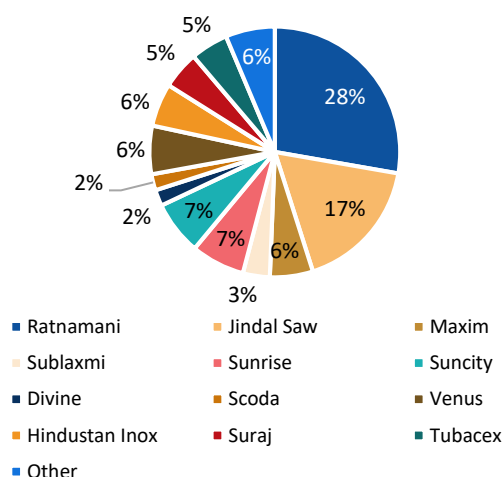
**Exhibit 2: Per capita consumption of SS in India below world average (kg)**



**Exhibit 3: India net importer of SS pipes & tubes, kt**



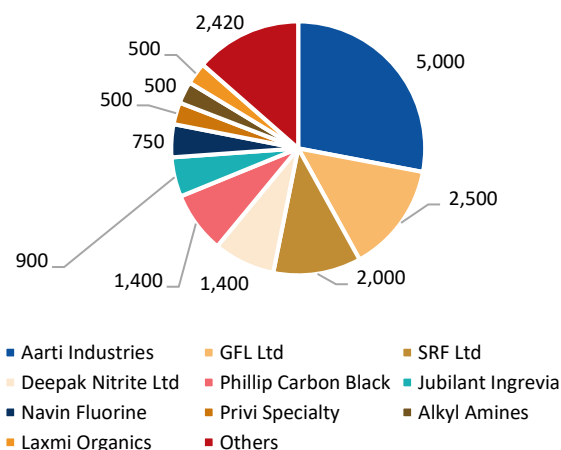
**Exhibit 4: Indicative indigenous SS pipe/tube capacity split**



**Exhibit 5: Indicative addressable market for Venus**

Item	Volume, ktpa
Total SS pipe and tube domestic market	1,000
Addressable market for Venus	280–300
Of which Import	45–50
Domestic supply	235–250

**Exhibit 6: Planned capex by major chemical companies (INR Cr)**



Source: Company Data, DRHP, Industry Participants, Edelweiss Wealth Research

## Company Charts

Exhibit 7: Venus plans to increase its capacity by 2.2x, tonnes

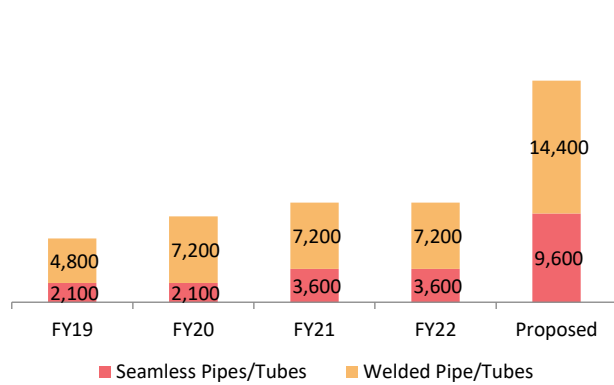


Exhibit 8: Production volumes grew in line with capacity expansion, tonnes

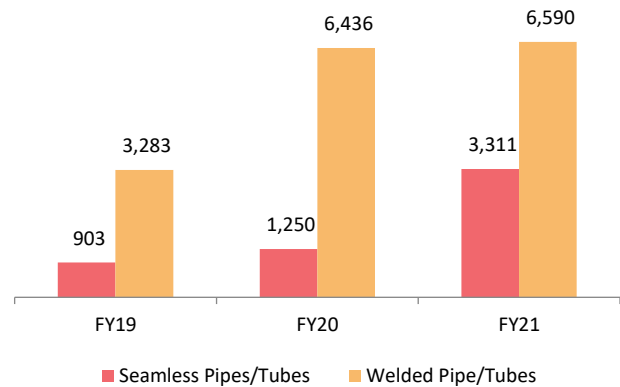


Exhibit 9: Growth in topline led by higher capacity utilisation

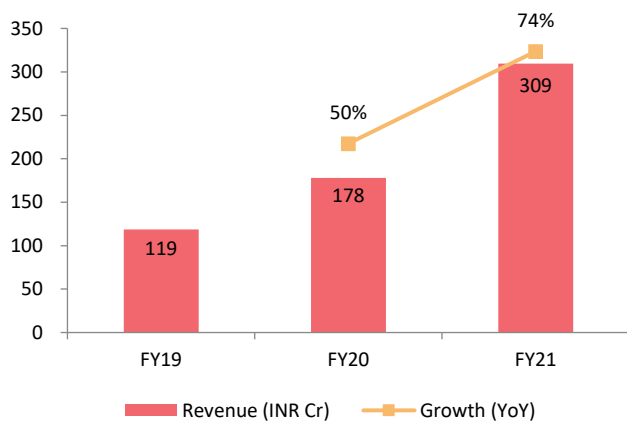


Exhibit 10: Better utilisation levels led to margin improvement

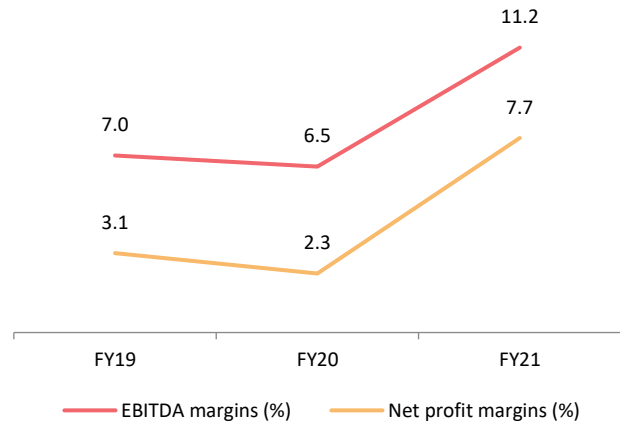


Exhibit 11: RoCE higher on better asset turns and margins

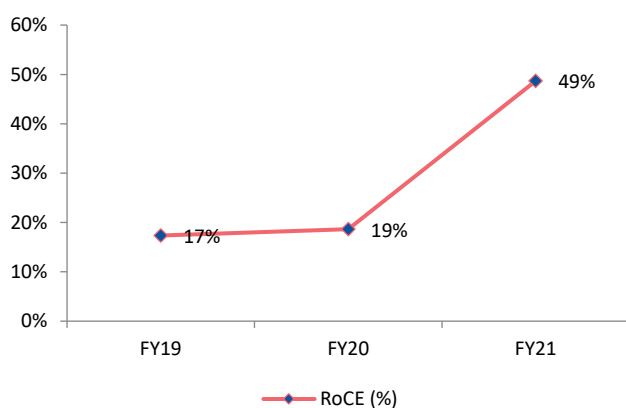
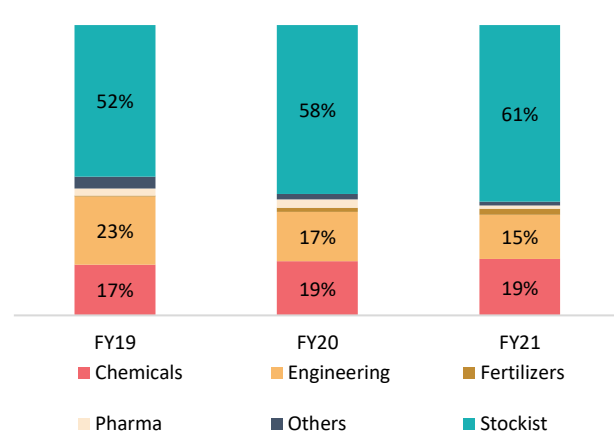


Exhibit 12: Chemicals and Engineering key revenue drivers



Source: Company, Edelweiss Wealth Research

# Venus Pipes & Tubes Ltd.

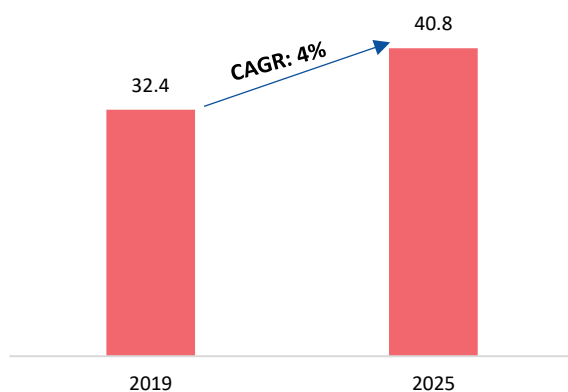
Pre IPO Note

## Investment Overview

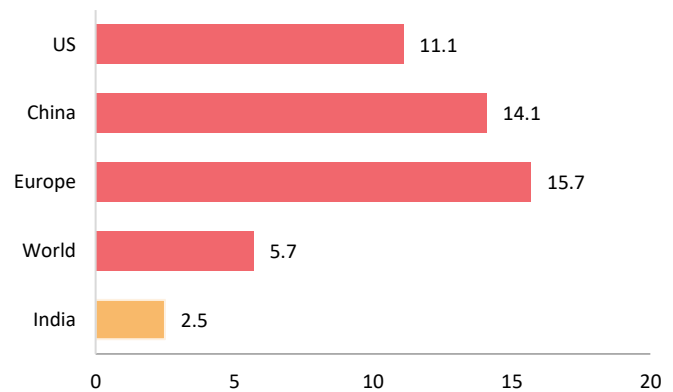
### I. Stainless Steel Pipe and Tube Industry

The global SS pipe and tube industry is around 23% of the global pipe and tube industry. It is estimated to grow at 4% CAGR to reach INR40.8bn by FY25E. The oil and gas industry is among the major consumers for SS pipes and tubes. These are used for transportation of gas and liquids as well as for upstream, midstream, and downstream processing of crude oil. Most process industries need SS pipes and tubes at their plants due to handling of corrosive fluids often at varying temperature and pressure.

**Exhibit 13: Global SS pipes & tubes market to register CAGR of 4% until 2025 (USD bn)**



**Exhibit 14: Per capita consumption of SS in India below world average (kg)**



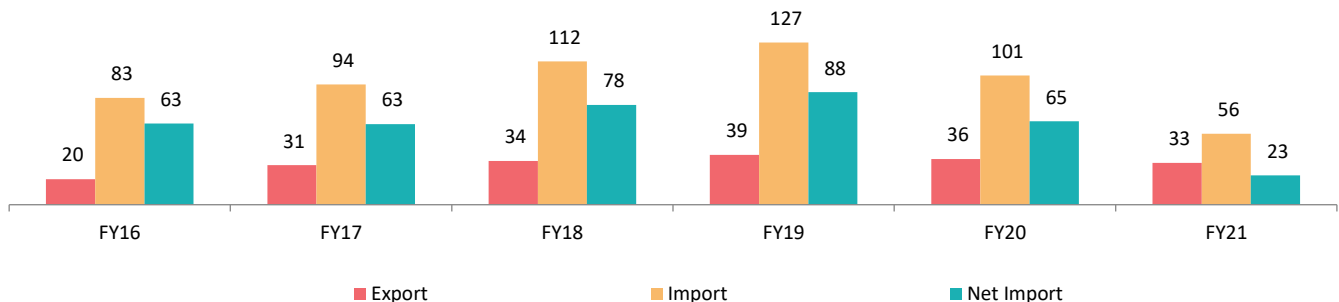
Source: DRHP, Edelweiss Wealth Research

India is the second largest consumer of stainless steel; however, its per capita consumption stood at 2.5kg in 2020 compared with the world average of 5.7kg. We believe, as a country develops, the SS consumption intensity should naturally progress towards the global average. Even at the plant and pipeline levels, SS consumption in developed regions such as the EU is much higher than India.

#### a. More than half of SS pipes & tube demand met through Chinese imports

India remains a net importer of SS pipes and tubes. China is the largest exporter of SS pipes and tubes to India and accounted for nearly 54% of India's total imports in FY21. **Effective May 2021, the Chinese government cancelled export rebates on seamless pipes and tubes** and other steel products to encourage Chinese steel manufacturers to turn to the domestic market. This move is expected to benefit steel pipe and tube manufacturers in India.

**Exhibit 15: India net importer of SS pipes & tubes, kt**



Source: DRHP, Edelweiss Wealth Research



# Venus Pipes & Tubes Ltd.

## Pre IPO Note

India's export of SS pipes and tubes is rather diversified where India-manufactured products are supplied to more than 130 countries across the world. In FY21, Italy, Spain, France, the USA, and the Netherlands are India's top five markets for SS pipe and tube exports. Together, these countries accounted for 52% share in India's total export earnings generated against SS pipes and tubes.

## II. Addressable market and sectoral tailwinds for Venus

### a. Addressable market for Venus around 28–30% of SS pipe and tube market, in our view

Based on our interaction with industry participants, the overall SS pipe and tube consumption in India stands at around 1,000kt. This market size includes industrial and domestic applications. Venus supplies high-quality pipes for industrial use (B2B) and does not cater to lower-end market of domestic furniture, retail, etc. Accordingly, around 28–30% of the total market is the industrial market where Venus caters to customers. Of this, around 50kt of the demand is met through imports and the remaining by domestic manufacturers.

**Exhibit 16: Addressable market size for Venus**

Item	Volume, ktpa
Total SS pipe and tube domestic market	1,000
Addressable market for Venus	280-300
Of which Import	45-50
Domestic supply	235-250

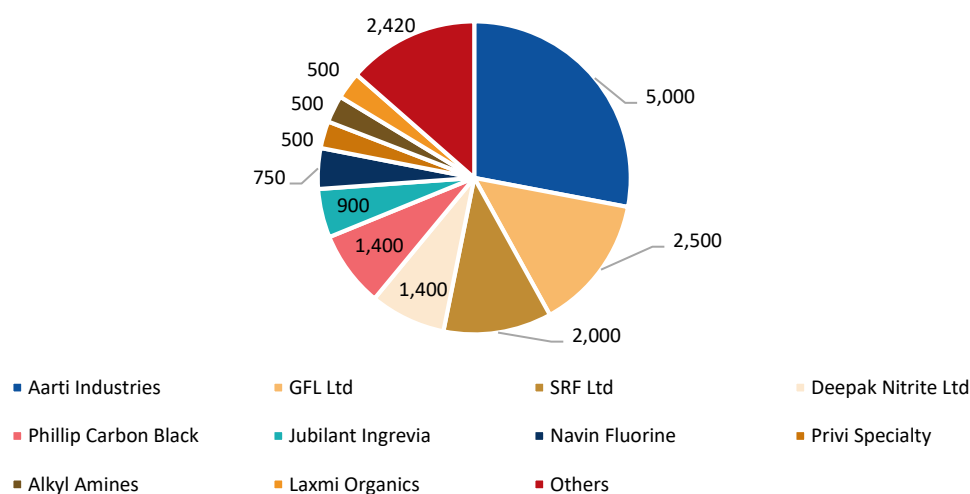
Source: Industry Participants, Edelweiss Wealth Research

This domestic demand of 235-250ktpa has kept the Indian SS pipe and tube market balanced and optimally utilised. The market tends to go off-balance when there is excess dumping through the import route, if any. However, as we discuss subsequently BIS norms and reduced Chinese imports are helping domestic manufacturers.

### b. Chemical sector major revenue driver for Venus

Venus derives a significant revenue share from the chemical industry. Typically, around 10% of chemical plant's capex is in the form of SS pipes and tubes. In FY21, 19% of Venus' sales came from the chemical sector. We estimate around INR18,000cr of upcoming capex in the chemical industry based on the announcements made by major players. This would roughly translate to INR1,800cr of incremental opportunity just from this sector, notwithstanding capex of other end user industries such as engineering and sugar.

**Exhibit 17: Planned capex by major chemical companies in the medium term, INR cr**



Source: Company Data, Edelweiss Wealth Research

# Venus Pipes & Tubes Ltd.

## Pre IPO Note

### c. China export rebate cessation and BIS norms provide industry tailwinds

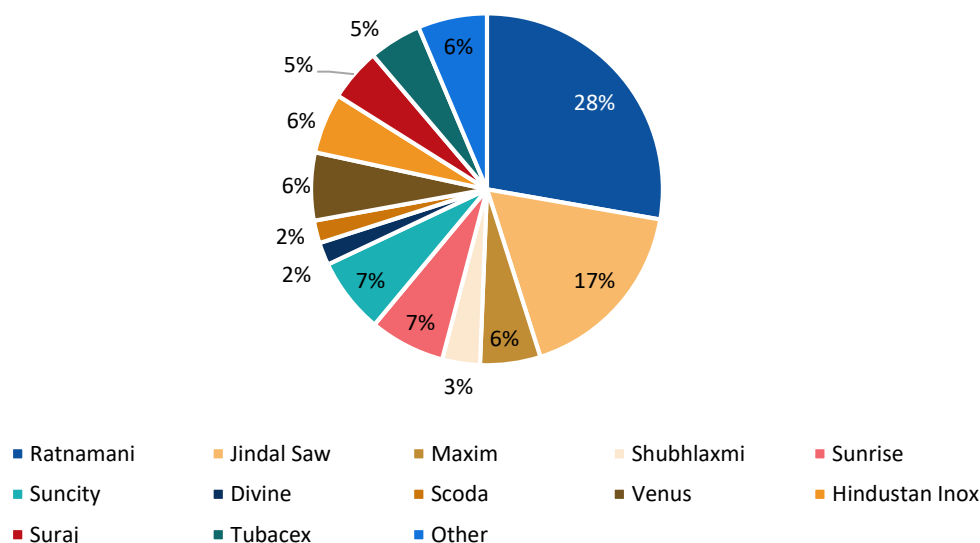
China is the largest exporter of SS tubes and pipes to India and accounted for roughly 54% of India's total imports in FY21. Effective May 2021, the Chinese government cancelled export rebates (13%) on seamless pipes and tubes and other steel products to encourage Chinese steel manufacturers to turn to the domestic market. This move is expected to benefit steel pipe and tube manufacturers in India as Chinese steel becomes costlier. Moreover, only BIS-certified products can now be used for all projects in the country, which may lead to import substitution.

As highlighted earlier, based on the addressable market, around 50% of the domestic demand is met through imports. This is likely to be a major tailwind for domestic manufacturers as they seek to replace imports. Venus plans backward integration keeping in mind such an opportunity. In-house manufacturing of mother hollow pipe shall help it win new orders and qualify for various orders needing BIS certification.

### d. Competition – several small players and one big leader

Venus' addressable market for stainless steel pipes and tubes is not as crowded as that for carbon steel or low-grade SS (furniture, aesthetics, etc.). Key players include sector leader Ratnamani (48kt capacity), followed by Jindal SAW (30kt) among larger listed names and there are several smaller players such as Maxim, Shubhlaxmi, Sunrise, and Tubacex, among others.

**Exhibit 18: Indicative indigenous SS pipe/tube capacity split**



Source: Industry Data, Edelweiss Wealth Research; Note: List is not exhaustive but indicative of major players; Capacities mentioned are indigenous and player may have higher capacity that might cater exclusively to exports or in-house consumption

Of the listed peers, only Ratnamani and Jindal SAW SS division is comparable with that of Venus, but their sales are also heavy skewed towards the oil and gas sector demand wherein Venus supplies only a small quantity currently. Other listed players such as APL Apollo and Maharashtra Seamless do not operate in SS. There are two other listed players in SS, namely, Suraj Ltd. and Prakash Steelage, but they are either too small or under stress. Hence, a direct comparison would be unwarranted.



## Pre IPO Note

Exhibit 19: Peer Comparison

Name	FY19	FY20	FY21
<b>Revenue</b>			
Ratnamani	2,755	2,586	2,298
Jindal SAW	12,117	11,627	10,664
Venus	119	178	309
<b>EBITDA</b>			
Ratnamani	407	426	400
Jindal SAW	1,472	1,511	1,243
Venus	8	12	35
<b>EBITDA margin</b>			
Ratnamani	15%	16%	17%
Jindal SAW	12%	13%	12%
Venus	7%	7%	11%
<b>EV/EBITDA</b>			
Ratnamani	10.2	10.1	22.6
Jindal SAW	5.6	4.5	5.6

Source: Company Data; Note: Consolidated Ratnamani and Jindal SAW also include their Carbon Steel divisions which are of meaningful size

### III. Company Overview

Venus manufactures and exports stainless steel pipes and tubes. It has a total production capacity of 10.8kt per annum, and its manufacturing facility is in Dhaneti (Kutch), Gujarat. The location is approximately 55km and 75km from the Kandla and Mundra ports, respectively.

The manufacturing facility is spread over 33,994 sqm of land, with the current set-up occupying 22,400 sqm. **Of the 10.8ktpa capacity, 3.6kt is dedicated to seamless SS pipes and 7.2kt to welded SS pipes.** Due to its proximity to the Kandla and Mundra ports, the company can procure raw materials and export the products at low logistic costs. Venus commenced exporting its products in 2017 and has exported to 18 countries, including Brazil, the UK, Israel, and countries in the European Union.

Venus has separate divisions for production of seamless and welded stainless steel pipes and tubes. The end use is mostly towards industry, and Venus does not cater to the retail/furniture market. SS pipes and tubes are used in high-pressure and high-temperature applications such as pressure vessels, heat exchangers, and instrumentation tubes. They have the latest product-specific equipment and machinery, including tube mills, pilger mills, draw benches, swaging machines, pipe straightening machines, TIG/MIG welding systems, and plasma welding systems. Additionally, the manufacturing facility has a storage area for raw material and finished goods inventory and a warehouse facility at Ahmedabad.

# Venus Pipes & Tubes Ltd.

## Pre IPO Note

### Exhibit 20: Manufacturing facility in Dhaneti, Gujarat (near Kandla)



Source: Company

#### a. Capacity to more than double next year

Of the 10.8ktpa capacity, 3.6kt is dedicated to seamless SS pipes and 7.2kt to welded SS pipes. Venus plans to expand its seamless capacity to 9.6ktpa and welded to 14.4ktpa, in addition to 9.6ktpa of new capacity towards backward integration to manufacture mother hollow pipes used as raw material for the seamless division.

The DRHP indicates estimated deployments of proceeds towards this capex in FY22E and FY23E, which suggests new capacity may come online by the end of FY23. **Company expects to complete capex plan by December 2022 and start commercial production in January 2023.** Venus proposes to install the LSAW (A358) plant, which will increase production capacity of welded pipes/tubes from 600t per month to 1,200t per month by manufacturing welded pipes of higher diameter. Furthermore, the company proposes the installation of a pilger plant to increase production capacity of seamless pipes/tubes of higher diameter from 300t per month to 800t.

Venus has already started the work towards the expansion, and it has placed orders for some of the machinery which it expects to receive soon. DRHP states that order for a HR CR SS slitting line and a piercing machine have been placed in October 2021. Venus has paid an advance of INR2.6cr for the same and balance INR14.9cr will be paid from IPO proceeds. It is yet to place orders of machinery for LSAW Plant and Pilger Plant.

#### b. New products and backward integration will help margins

Currently, Venus manufactures welded pipes/tubes of 6–219.3mm in diameter and seamless pipes/tubes of up to 6–114.3mm in diameter. It proposes to increase capacity to produce a wider product range, including up to 1,219.2mm for welded pipes/tubes of higher diameter and up to 168.3mm for seamless pipes/tubes. Additionally, it will backward integrate in the seamless division by producing mother hollow pipes in-house.

DRHP provides a schedule for implementation of capex plan and indicates completion by December 2022 with commercial production by January 2023. We therefore believe it is likely to see financial impact of the expansion starting FY24.

## Pre IPO Note

### Exhibit 21: Capacity and product profile

Product	Raw Material	Size	Capacity
Seamless Pipes/Tubes	Mother hollow pipes (to be produced in-house from SS bars post expansion)	Current: 6–114.3mm Proposed: 6–168.3mm	Current: 3.6ktpa Proposed: 9.6ktpa
Welded Pipes/Tubes	SS coils/strips	Current: 6–219.3mm Proposed: 6–1,219.2mm	Current: 7.2ktpa Proposed: 14.4ktpa
Mother Hollow	SS bars	To be consumed in-house (backward integration)	Proposed: 9.6ktpa

Source: Company Data

New product offerings and backward integration will help expand margins. Venus will be able to offer pipes of various diameters and conform to better quality standards in seamless due to in-house manufacturing of mother hollow pipes. This will also help meet the quality requirements of customers and conform to the BIS standard.

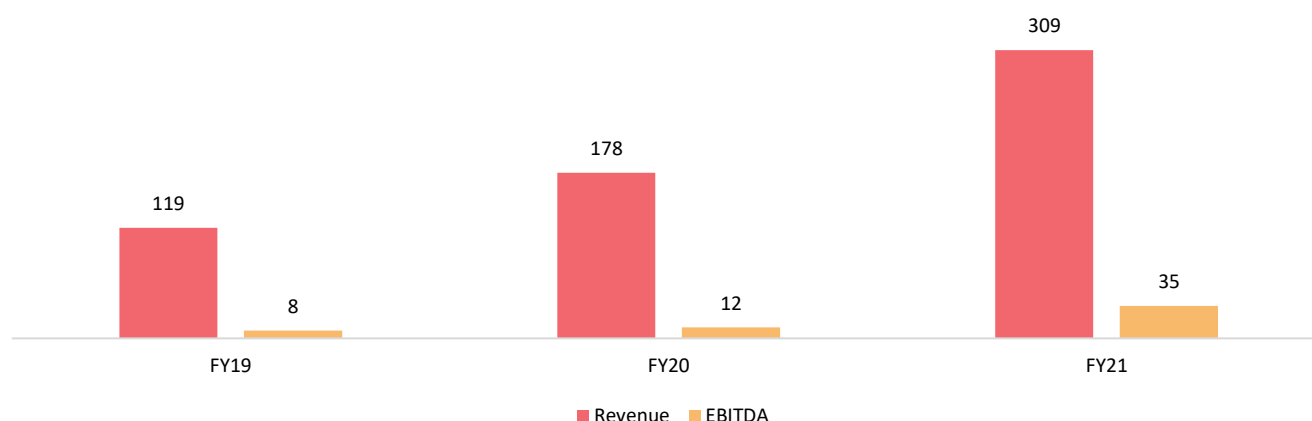
Industry leader Ratnamani clocked overall margins of 17–19%, generally, which includes the carbon steel division as well. Its SS division clocked margins of 22–24%, in our view, but the company does not report SS margins separately. **Therefore, Venus' SS seamless pipe margins have the potential to reach 20% from the current 14%, while SS welded margins can increase to 17% from 13%, in our view.** We do not see Venus completely closing the margin gap with Ratnamani, as the latter has a much larger scale and significant market share in the oil and gas market.

## IV. Financial Analysis

### a. Strong growth driven by capacity ramp-up and end-user demand

Venus increased its capacity from 6.9kt to 10.8kt over FY19–21. Its current capacity is running at 90% utilisation, resulting in revenue CAGR of 60% over the period. Venus derives its sales primarily from seamless and welded SS pipes and tubes. The main raw materials include SS coils and mother hollow pipes. Cost of material is 80–85%, and these are sourced from domestic or international suppliers (China, Malaysia, Indonesia, Singapore) depending on cost dynamics. Additionally, it purchases some goods for trading, such as fittings, that sell along with pipes.

Exhibit 22: Revenue and EBITDA grew strongly as capacity ramped up, INR cr

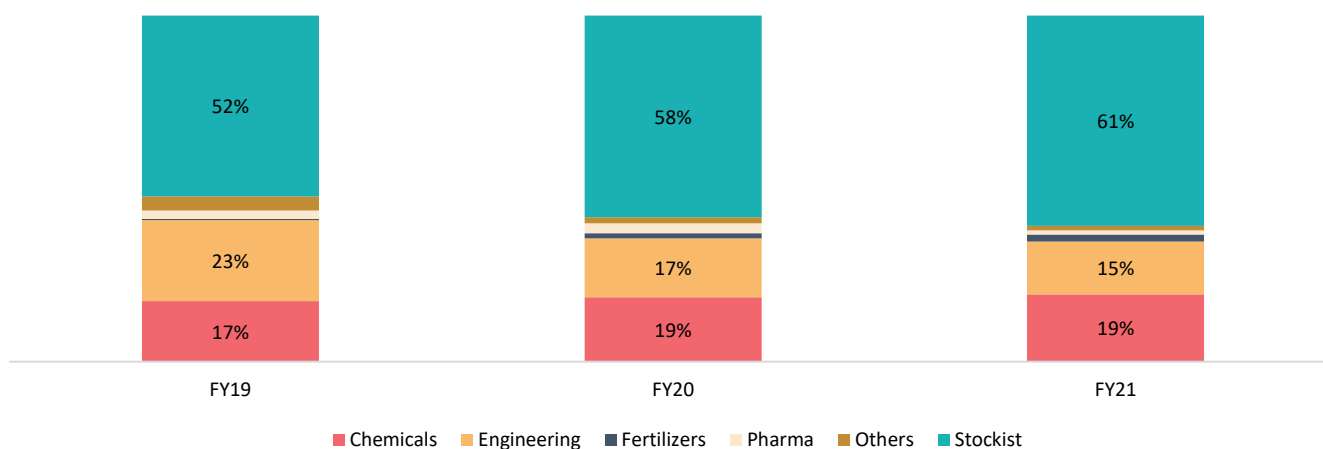


Source: DRHP

Venus' current order book stands at around INR66cr as the company does not carry long-term orders. Therefore, order book is not a reliable indicator of future visibility, as orders are typically executed within a quarter or two. The main revenue driver is end-user demand from various sectors that use SS pipes and tubes.

SS pipes and tubes are marketed under the brand name "Venus" and find application in diverse industries such as chemicals, engineering, fertilisers, pharmaceuticals, power, food processing and paper. Venus, however, derives a large share of its revenue from the chemical and engineering sectors.

Exhibit 23: Revenue split by end-use sector



Source: DRHP

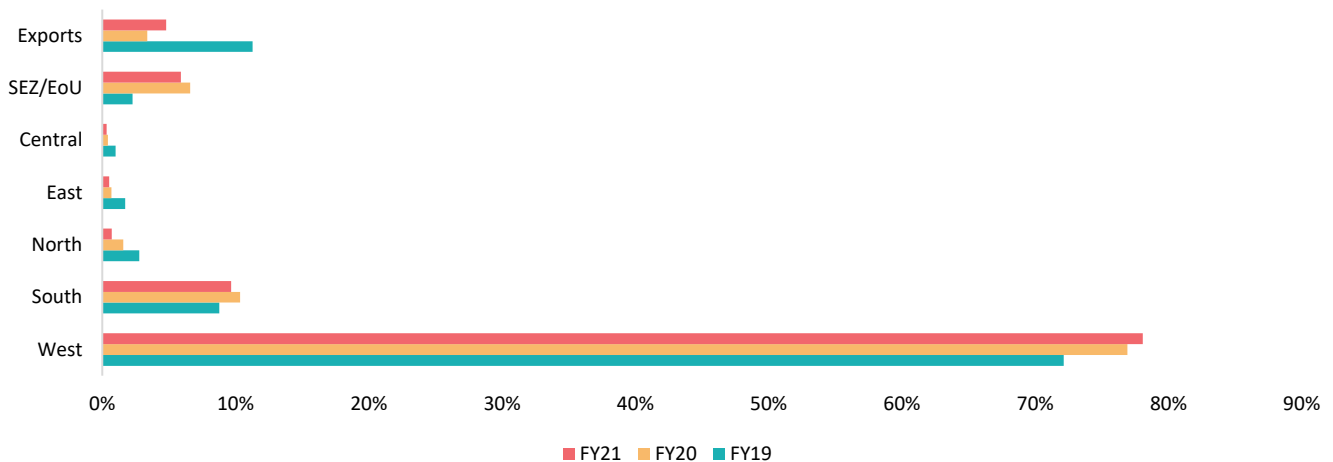


# Venus Pipes & Tubes Ltd.

## Pre IPO Note

In FY21, revenue mix stood as follows: 61% stockists/traders, 20% chemicals (we understand Venus supplies to players such as Aarti and PI), 15% engineering (power, Toyo, EIL, etc.), 2% fertilisers and ~1% pharma. In terms of geographical mix, 78% sales came from West India (mainly Gujarat).

**Exhibit 24: Revenue split by geography**



Source: DRHP

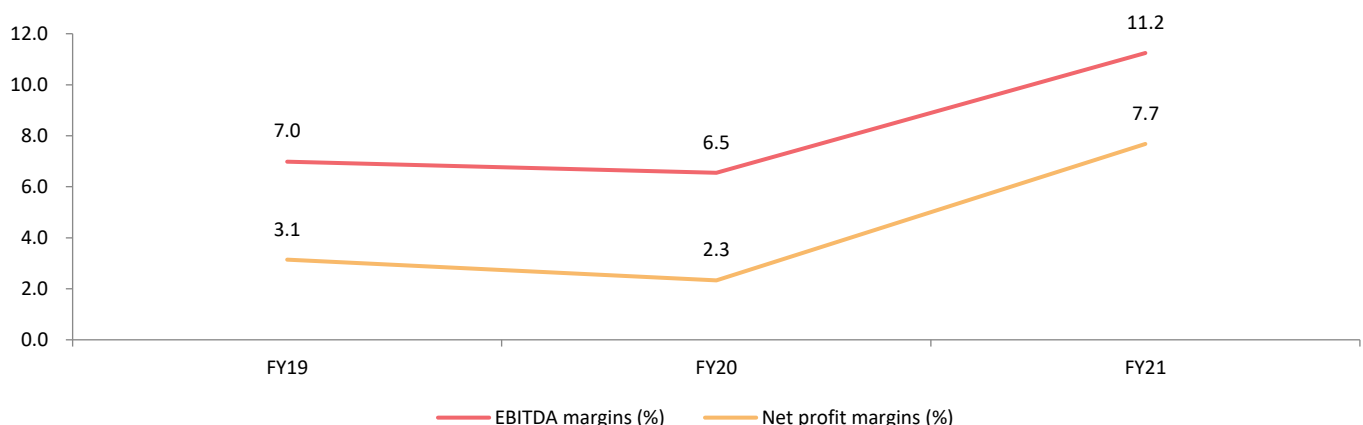
For the quarter ended June 2021, overseas markets contributed nearly 5% to the top line vis-à-vis 11.2% in FY19. To increase its share in the international market, Venus has appointed sole distributors in Italy and Kuwait and a marketing representative for servicing the European market.

### b. Capex to widen product offering and potentially margins

Venus attempts to book raw material upon order receipt, thereby minimising its chances of bearing any significant raw material fluctuation and claims to mostly pass on the raw material price to customers.

As highlighted earlier, new product offerings and backward integration will help expand margins. Venus will be able to offer pipes of various diameters and conform to better quality standards in seamless due to in-house manufacturing of mother hollow pipes. This will also help meet the quality requirements of customers and conform to the BIS standard.

**Exhibit 25: Current EBITDA margins to potentially improve post expansion**



Source: DRHP



# Venus Pipes & Tubes Ltd.

## Pre IPO Note

Venus is currently clocking EBITDA margin of around 11%. Industry leader Ratnamani generally clocked overall margins of 17–19%, which includes the carbon steel division as well. Its SS division clocked margins of 22–24%, in our view, though company does not report these separately. **Therefore, Venus’ SS seamless pipe margins have the potential to reach 20% from the current 14%, while SS welded margins can increase to 17% from 13%, in our view.**

Venus proposes to increase capacity from 10.8kt to 24kt in the next 12–18 months. The company **plans to use majority of the IPO proceeds towards this INR130cr capex**. The plan is to spend INR100cr towards property and plant and equipment and INR30cr towards working capital needs.

### Exhibit 26: Capex Plan

Particulars	Estimated cost	Amount deployed as on Nov 2021	Estimated deployment
Capex and Backward Integration	INR108.6cr	INR2.7cr	FY22e: INR40.8cr FY23e: INR65.2cr
Long-term Working Capital Needs	INR25cr	NIL	FY22e: INR5cr FY23e: INR20cr

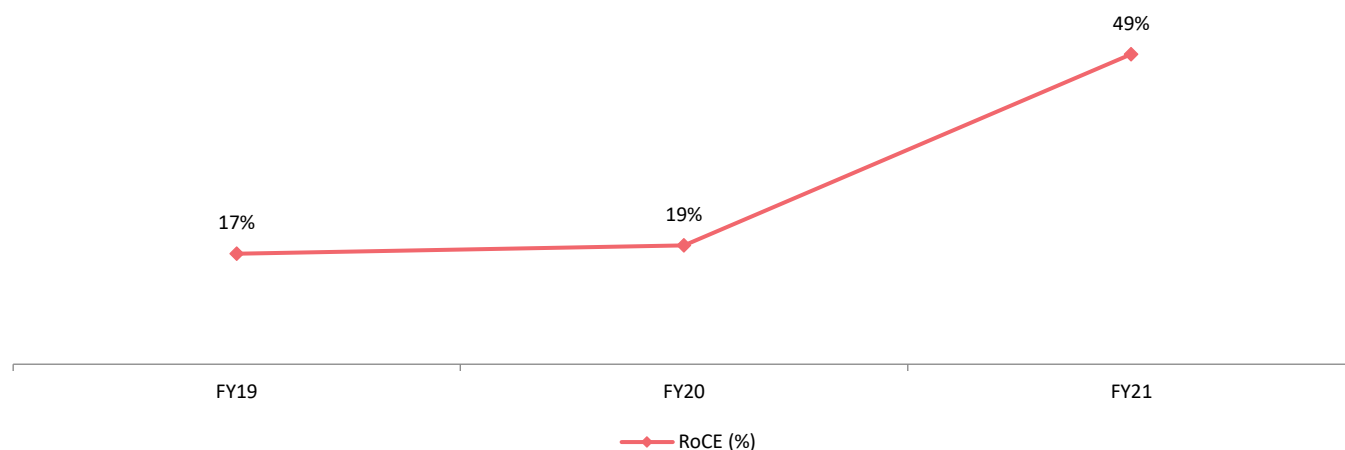
Source: DRHP; Note: Venus has already placed orders for some of the machinery

### c. Moderate debt and strong RoCE profile

Venus has moderate debt of INR38cr on its balance sheet, which is around 0.8x debt/equity. Additionally, it has an LC limit utilisation of INR 22cr. Working capital days generally vary between 50 and 90 days. Industry average is around 90–110 days in our view, and as a company expands its product offerings, the working capital requirement typically increases.

Moreover, Venus’ FY21 ROCE appears significantly high due to strong asset utilisation and improved profitability. However, we believe this shall moderate as Venus increases its product offerings and backward integrates. Typically, for pipe makers, utilisation can not reach as high as 90%, if they offer a variety of products, as they would need to change their production plan. Backward integration helps with better margins but the asset base increases leading to lower asset turns.

### Exhibit 27: ROCE profile to moderate post new capacity as Venus backward integrates







Source: Company Data, Edelweiss Wealth Research

## Pre IPO Note

### V. Promoter and Management Profile

Pre-Issue, promoter and promoter groups hold 64.3% of the equity capital in Venus.

#### Exhibit 28: Venus Promoters

Name	Profile
<b>Mr. Jayantiram Motiram Choudhary</b> 	<ul style="list-style-type: none"> <li>Mr. Jayantiraman Motiram Choudahry is the Chairman, Non-executive Director and Promoter of the company.</li> <li>He has been associated with the company as Director since its incorporation.</li> <li>He has over ten years of experience in the steel industry and over four years of experience as Director of Accuracy Shipping Limited.</li> </ul>
<b>Mr. Arun Axaykumar Kothari</b> 	<ul style="list-style-type: none"> <li>Mr. Arun Axay Kumar Kothari is the Promoter, Managing Director and CFO of the company.</li> <li>He holds a bachelor's degree in Commerce from Rajasthan University and has been a qualified Chartered Accountant since 1998 with ranks in all the CA stages.</li> <li>He looks after and manages the entire accounting and financial operations of the company and is responsible for setting processes, systems and procedures in place to control and streamline the financial and commercial transactions of the company.</li> </ul>
<b>Mr. Megharam Sagramji</b> 	<ul style="list-style-type: none"> <li>Mr. Megharam Sagramji serves as Whole Time Director of the company and is Promoter of the company.</li> <li>He has spent over 15 years in the stainless steel welded pipe and tube industry.</li> <li>He is responsible for sales and marketing, customer relationship management and procurement and also looks after the HR activities of the company.</li> </ul>
<b>Mr. Dhruv Mahendrakumar Patel</b> 	<ul style="list-style-type: none"> <li>Mr. Dhruv Mahendra Kumar Patel is the Whole Time Director and Promoter of the company.</li> <li>He holds a bachelor's degree in Engineering from University of Pune and a master's degree in Technology from CEPT University.</li> <li>He looks after production activities, streamlining of processes and procedures to facilitate smooth production process and enhanced productivity in the manufacturing process.</li> </ul>

Source: Company Data

## Pre IPO Note

### Exhibit 29: Venus Management Personnel

Name	Designation	Profile
<b>Mr. Pawan Kumar Jain</b>	<i>Company Secretary</i>	<ul style="list-style-type: none"> <li>A qualified company secretary with around three years of experience in finance, accounting and secretarial work, Mr. Pawan Kumar has been associated with Venus since 14 September 2021.</li> <li>He is responsible for the coordination of meetings of the board and shareholders of the company and secretarial work.</li> </ul>
<b>Mr. Shishir C Sinha</b>	<i>President (Marketing)</i>	<ul style="list-style-type: none"> <li>Mr. Sinha holds a bachelor's degree in Arts from Magadh University and has over 30 years of experience in the stainless steel pipe and tube industry.</li> <li>He has previously worked as Senior Vice President in marketing for Prakash Steelage Ltd. Mr. Sinha has been associated with Venus since 1 March 2021 as President (marketing).</li> </ul>
<b>Mr. Kunal Babna</b>	<i>President (Finance &amp; Accounts)</i>	<ul style="list-style-type: none"> <li>A fellow member of the Institute of Chartered Accountants of India (ICAI) and the Institute of Company Secretary of India (ICSI), Mr. Babna has over 14 years of experience in accounting and secretarial work.</li> <li>He has been associated with Venus as President (finance and accounts) since 1 July 2021.</li> </ul>
<b>Mr. Bharat Kumar Prajapati</b>	<i>Head - Production</i>	<ul style="list-style-type: none"> <li>Mr. Prajapati has a diploma in Mechanical Engineering from the Technical Examination Board, Gujarat. He has over 20 years of experience in the pipe industry.</li> <li>He has previously worked with Tubacex Prakash India Private Limited. Mr. Prajapati has been associated with Venus as Head of Production since 2 September 2020.</li> </ul>

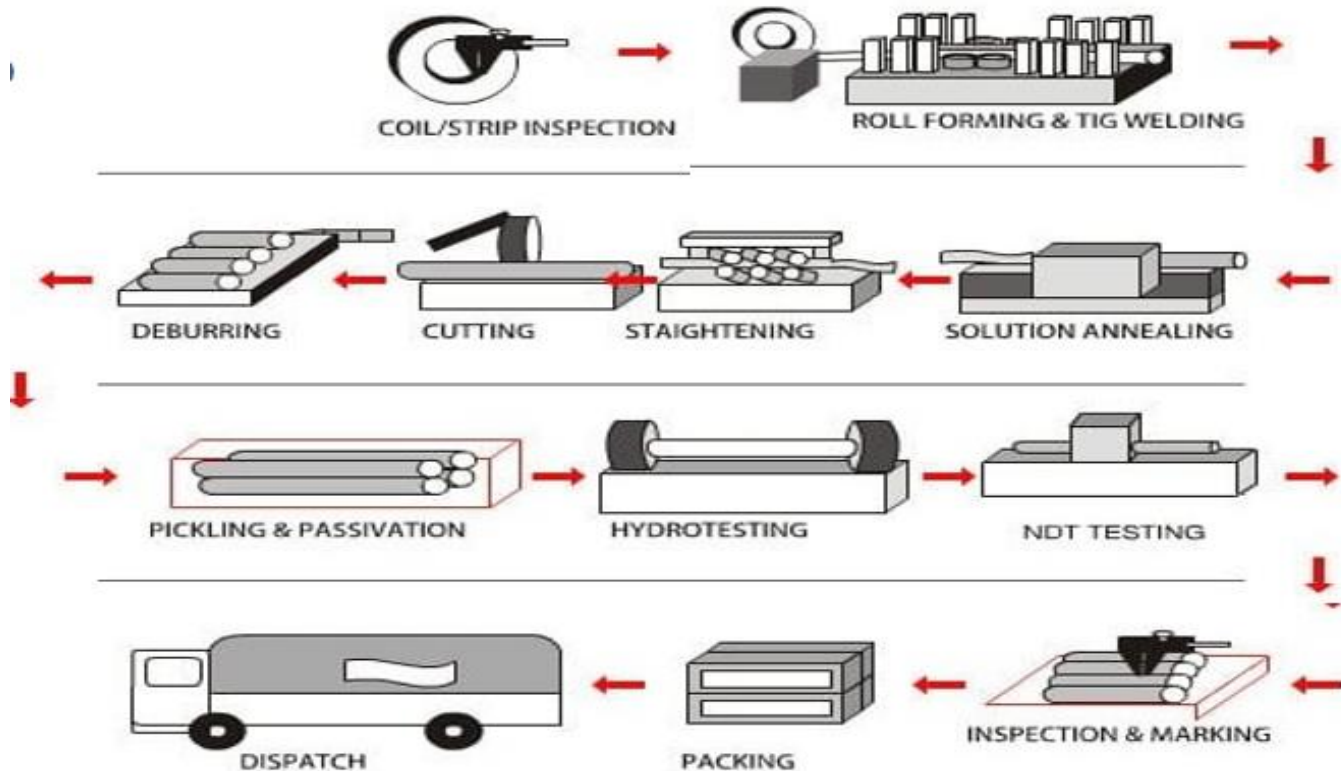
Source: Company Data

# Venus Pipes & Tubes Ltd.

## Pre IPO Note

### VI. Appendix

Exhibit 30: Welded pipe manufacturing process



Source: Company Data, Edelweiss Wealth Research

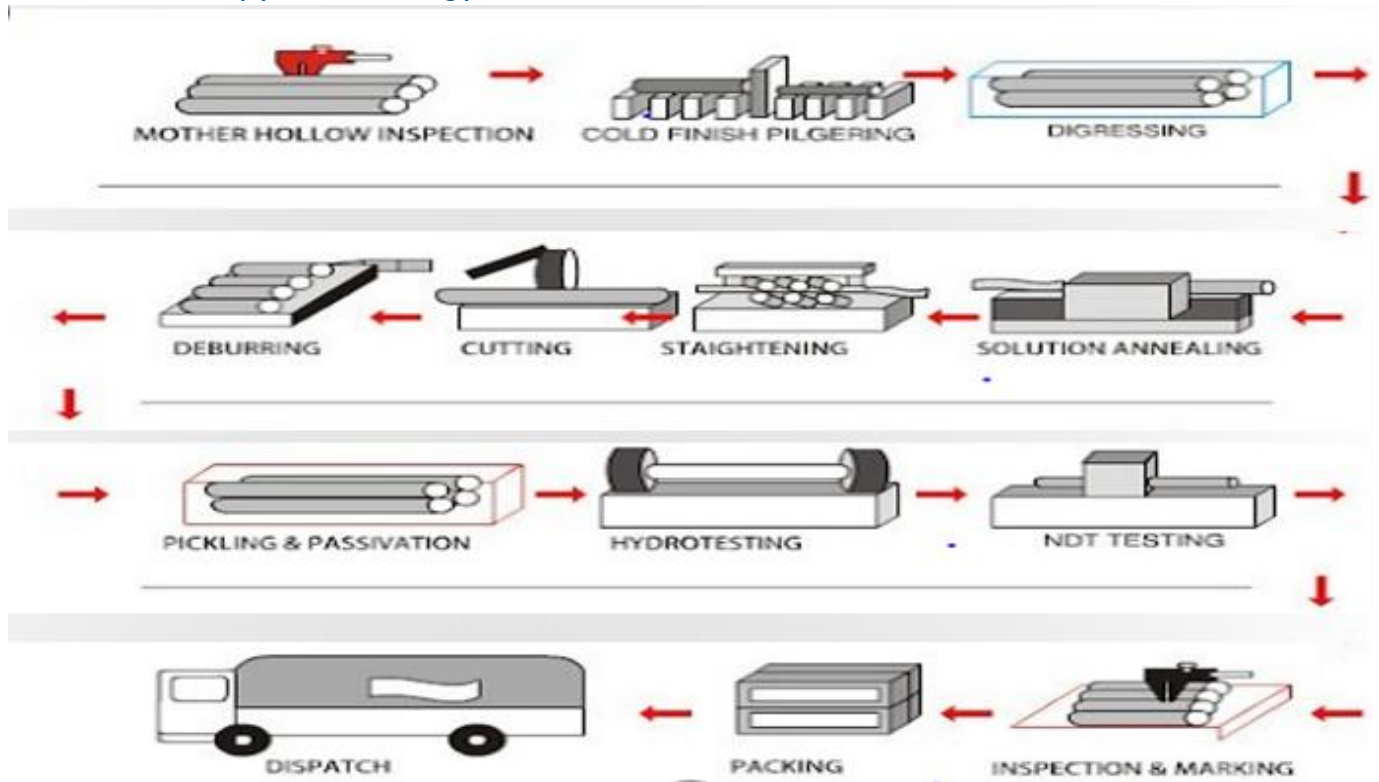
- 1) **Coil Inspection:** The first step in the manufacturing of welded pipes/tubes is coil (strips) inspection.
- 2) **Roll Forming & TIG Welding:** It is a cost-effective metal forming process taking sheet, strip or coil stock and bending/forming it to a continuous cross section. The process is performed between successive pairs of rolls that change shape until the desired section is completed.
- 3) **Solution Annealing:** It is a heat treatment process that alters the metallurgical structure of a material to change its mechanical or electrical properties. Typically, this process is used to decrease the metal crack sensitivity of aged material that needs to be returned to a weldable state.
- 4) **Straightening:** The process is performed to make tubes elastic and tortuous, and the large tortuosity becomes a small tortuosity. Therefore, steel pipes/tubes need to be repeatedly twisted and twisted in the straightening machine.
- 5) **Cutting:** After straightening, tubes are cut to achieve the desired length.
- 6) **Deburring:** It is a secondary operation that enhances the final quality of the product by eliminating raised edges and unwanted pieces of material known as burrs.
- 7) **Pickling & Passivation:** It is a chemical process to provide protection from corrosion and pitting.
- 8) **Hydrotesting:** It is a pressure test for testing the strength and leaks of pipes/tubes.
- 9) **NDT Testing:** Non-destructive testing (NDT) is a testing and analysis technique used to evaluate the properties of pipes/tubes for characteristic differences or welding defects and discontinuities without causing damage to the original part.
- 10) **Inspection & Marking:** Once clearance is received from NDT testing, the final product is manually inspected and marked before packaging.
- 11) **Packing & Dispatch:** The final product is packed in and weighed (ton) and dispatched to the desired location.



# Venus Pipes & Tubes Ltd.

## Pre IPO Note

Exhibit 31: Seamless pipe manufacturing process



Source: Company Data, Edelweiss Wealth Research

- 1) **Mother Hollow Inspection:** Venus procures mother hollow pipes to be used in the manufacturing process of seamless pipes/tubes.
- 2) **Cold Finish Pilgering:** It is a longitudinal cold-rolling process that reduces the diameter and wall thickness of metal pipes/tubes in a one-process step.
- 3) **Digressing:** It is the process of removing oil, grease, dirt, loose particles and other contaminants on the surface of the metal and preparing it for further operations.
- 4) **Solution Annealing:** It is a heat treatment process that alters the metallurgical structure of a material to change its mechanical or electrical properties. Typically, this process is used to decrease the metal crack sensitivity of aged material that needs to be returned to a weldable state.
- 5) **Straightening:** The process is performed to make the tube elastic and tortuous, and the large tortuosity becomes a small tortuosity. Therefore, steel pipes/tubes need to be repeatedly twisted and twisted in the straightening machine.
- 6) **Cutting:** After straightening, tubes are cut to achieve the desired length.
- 7) **Deburring:** It is a secondary operation that enhances the final quality of the product by eliminating raised edges and unwanted pieces of material known as burrs.
- 8) **Pickling & Passivation:** It is a chemical process to provide protection from corrosion and pitting.
- 9) **Hydrotesting:** It is a pressure test for testing the strength and leaks of pipes/tubes.
- 10) **NDT Testing:** Non-destructive testing (NDT) is a testing and analysis technique used to evaluate the properties of pipes/tubes for characteristic differences or welding defects and discontinuities without causing damage to the original part.
- 11) **Inspection & Marking:** Once clearance is received from NDT testing, the final product is manually inspected and marked before packaging.
- 12) **Packing & Dispatch:** The final product is packed in and weighed (ton) and dispatched to the desired location.



## Pre IPO Note

### Financials

#### Income statement

Year to March	FY19	FY20	FY21
Income from operations	119	178	309
Total operating expenses	110	166	275
EBITDA	8	12	35
Depreciation and amortisation	2	2	1
EBIT	6	10	34
Interest expenses	3	5	6
Profit before tax	5	6	31
Provision for tax	1	2	7
Extraordinary items	0	0	0
Profit after tax	4	4	24
Adjusted net profit	4	4	24
Equity shares outstanding (cr)	0.9	0.9	0.9
Reported EPS (INR) basic	4.3	4.7	27.1
Diluted shares (Cr)	0.9	0.9	0.9
Adj. EPS (INR) fully diluted	4.3	4.7	27.1
Dividend per share	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0

#### Common size metrics as a % of net revenue

Year to March	FY19	FY20	FY21
Operating expenses	93.0	93.5	88.8
Depreciation	1.7	1.2	0.3
Interest expenditure	2.6	2.6	1.8
EBITDA margins	7.0	6.5	11.2
Net profit margins	3.1	2.3	7.7

#### Growth metrics (%)

Year to March	FY19	FY20	FY21
Revenues	74.0	49.7	74.0
Adj. EBITDA	16.5	40.4	198.7
PBT	64.5	31.3	376.7
Adj. Net profit	72.7	10.3	471.9
Adjusted Earnings per share	63.5	11.2	473.4

# Venus Pipes & Tubes Ltd.

## Pre IPO Note

### Balance Sheet

As on 31	FY19	FY20	FY21
Equity share capital	9	9	9
Reserves & surplus	3	8	31
Shareholders funds	12	16	40
Total Debt	29	43	38
Other Long Term Liabilities	0	0	0
Deferred Tax Liabilities	0.2	1	0.4
<b>Sources of funds</b>	<b>42</b>	<b>60</b>	<b>78</b>
Gross block	12	16	25
Depreciation	2	4	5
Net block	10	12	20
Capital work in progress	0	3	0
Total fixed assets	10	15	20
Other Non Current Assets	0	2	1
Inventories	36	44	44
Sundry debtors	22	31	45
Cash and equivalents	2	5	4
Loans and advances	10	9	23
Total current assets	69	90	117
Sundry creditors and others	37	47	59
Total CL & provisions	37	47	59
Net current assets	32	43	58
<b>Uses of funds</b>	<b>42</b>	<b>60</b>	<b>78</b>
Book value per share (INR)	14	19	46

### Cash flow statement

Year to March	FY19	FY20	FY21
Net profit	4	4	24
Add: Depreciation	2	2	1
Add: Others	2	4	11
Gross cash flow	8	11	36
Less: Changes in W. C.	14	8	25
Operating cash flow	-7	2	11
Less: Capex	-2	-7	-5
Free cash flow	-9	-5	6

# Venus Pipes & Tubes Ltd.

## Pre IPO Note

### Ratios

Year to March	FY19	FY20	FY21
ROAE (%)	32.3	29.1	84.1
ROACE (%)	17.4	18.6	48.7
Debtors (days)	66	63	53
Current ratio	1.9	1.9	2.0
Debt/Equity	2.3	2.3	0.8
Inventory (days)	111	91	52
Payable (days)	115	96	70
Cash conversion cycle (days)	63	58	36
Debt/EBITDA	3.5	3.7	1.1
Adjusted debt/Equity	2.3	2.3	0.8

### Valuation parameters

Year to March	FY19	FY20	FY21
Diluted EPS (INR)	4.3	4.7	27.1
CEPS (INR)	6.6	7.2	28.2
Diluted P/E (x)	N.A	N.A	N.A
Price/BV(x)	N.A	N.A	N.A
EV/Sales (x)	N.A	N.A	N.A
EV/EBITDA (x)	N.A	N.A	N.A
Diluted shares O/S	0.9	0.9	0.9
Basic EPS	4.3	4.7	27.1
Dividend yield (%)	N.A	N.A	N.A

**Edelweiss Broking Limited**, 1st Floor, Tower 3, Wing B, Kohinoor City Mall, Kohinoor City, Kiroi Road, Kurla(W)  
Board: (91-22) 4272 2200

---

**Vinay Khattar**

Head Research

[vinay.khattar@edelweissfin.com](mailto:vinay.khattar@edelweissfin.com)

---

# Disclaimer

Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its associates are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance. There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. This research report has been prepared and distributed by Edelweiss Broking Limited ("Edelweiss") in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000000172.

Broking services offered by Edelweiss Broking Limited under SEBI Registration No.: INZ000005231 (Member of NSE, BSE, MCX and NCDEX). EBL CIN: U65100GJ2008PLC077462. Research services offered by Edelweiss Broking Ltd. under SEBI Registration No. INH000000172. Depository participant with NSDL having SEBI registration no: IN-DP-NSDL-314-2009 and DP ID: IN302201 and IN303719. Depository participant with CDSL having DP ID- 12032300. Investor grievance resolution team: 040-41151621; Email ID: Helpdesk@edelweiss.in. Name of the Compliance Officer for Trading & DP - Mr. Pranav Tanna, Email IDs: complianceofficer.ebl@edelweissfin.com / ebl.dpcompliance@edelweissfin.com. Corporate Office: Edelweiss House, Off CST Road, Kalina, Mumbai - 400098; Tel. 18001023335/022-42722200/022-40094279. Registered Office: 2nd Floor, Office No. 201 to 203, Zodiac Plaza, Xavier College Road, Off C G Road, Ahmedabad, Gujarat - 380009. Contact: (079) 40019900 / 66629900.

This Report has been prepared by Edelweiss Broking Limited in the capacity of a Research Analyst having SEBI Registration No. INH000000172 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject EBL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. EBL reserves the right to make modifications and alterations to this statement as may be required from time to time. EBL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. EBL is committed to providing independent and transparent recommendation to its clients. Neither EBL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of EBL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of EBL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

EBL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the EBL to present the data. In no event shall EBL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the EBL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

EBL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. EBL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with EBL.

EBL or its associates may have received compensation from the subject company in the past 12 months. EBL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. EBL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or EBL's associates may have financial interest in the subject company. EBL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No  
EBL has financial interest in the subject companies: No



# Disclaimer

EBL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

EBL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.

A graph of daily closing prices of the securities is also available at [www.nseindia.com](http://www.nseindia.com)

## Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

## Additional Disclaimer for U.S. Persons

Edelweiss is not a registered broker – dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition Edelweiss is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by Edelweiss, including the products and services described herein are not available to or intended for U.S. persons.

This report does not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services and/or shall not be considered as an advertisement tool. "U.S. Persons" are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed "US Persons" under certain rules.

Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

## Additional Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

## Additional Disclaimer for Canadian Persons

Edelweiss is not a registered adviser or dealer under applicable Canadian securities laws nor has it obtained an exemption from the adviser and/or dealer registration requirements under such law. Accordingly, any brokerage and investment services provided by Edelweiss, including the products and services described herein, are not available to or intended for Canadian persons.

This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services.

## Disclosures under the provisions of SEBI (Research Analysts) Regulations 2014 (Regulations)

Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its associates are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance. There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. This research report has been prepared and distributed by Edelweiss Broking Limited ("Edelweiss") in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000000172.